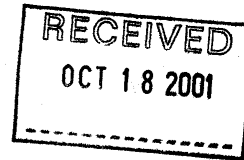




DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
ATLANTA, GA 30308

October 16, 2001



MEMORANDUM FOR TREASURY INSPECTOR GENERAL FOR TAX  
ADMINISTRATION

FROM: John M. Dalrymple  
Commissioner, Wage and Investment Division

SUBJECT: Draft Report #200110009-Improvements Have Been  
Made to Eliminate Illegal Tax Protester Designations

The IRS Restructuring and Reform Act of 1998 (RRA 98) requires the IRS to eliminate all references to the term Illegal Tax Protester (ITP) and the Treasury Inspector General for Tax Administration (TIGTA) to conduct an annual evaluation of IRS actions to comply with this requirement. In Fiscal Years 1999<sup>1</sup> and 2000<sup>2</sup> TIGTA identified areas for improvement to help us eliminate this reference. We have made significant progress in eliminating the ITP reference from our manuals, notices, and instructions, and I am pleased your FY 2001 review found that we are in compliance with Section 3707 of RRA 98.

The comments in your draft report about additional opportunities for improvement will help us achieve the total elimination of ITP references. Actions to address these comments include:

- ◆ Multimedia Publishing made obsolete the two additional publications found with ITP references in March and May 2001: Form 12570 (Tax Protestor Information Notice) and Document 9678 (ITP Document Cover Sheet).
- ◆ The Taxpayer Advocate Service (TAS) expanded the search for ITP references to inactive case files and included a review for ITP use into the Annual Assurance check sheet.
- ◆ The Office of Servicewide Policy, Directives, and Electronic Research (SPDER) eliminated all electronic versions of the IRM after June 1, 2001, except for the Multimedia Publishing PDF files and the IRM Online through Lexis-Nexis. SPDER also obtained from the official IRM files a listing of any remaining references in the

<sup>1</sup> *The Internal Revenue Service is Addressing the Use of the Illegal Tax Protestor and Nonfiler Designations* (Reference Number 1999-10-080, dated September 1999).

<sup>2</sup> *Additional Action is Needed to Eliminate Illegal Tax Protestor Designations* (Reference Number 2000-10-119, dated September 2000).

IRM to illegal tax protestors or variations. We sent these lists to Operating Division and functional chiefs telling them of the remaining references they must remove during the restructuring of the IRM to be completed by January 2002.

- ◆ The Compliance Division completed the Request for Information Services (RIS) early. We programmed the Audit Information Management System (AIMS) and the Examination Returns Control System (ERCS) to reject Project Code 085, Illegal Tax Protestor, upon input. Therefore, if an employee enters Code 085 at the terminal he or she will get an error message indicating Project Code 085 is invalid.

Attached are detailed descriptions of the ITP reference elimination activities described above (Attachment I), and a summary on the status of our revisions to the IRS Electronic IRM Sources (Attachment II).

If you have any questions, please contact Ty Ayers, Director, Customer Assistance, Relationships and Education Division, at (404) 338-7100.

Attachments (2)

## ITP Reference Elimination Accomplishments – FY 2001

### Wage and Investment - CARE

#### Media and Publications: Multimedia Publishing

In June 2001, Multimedia Publishing searched the IRM core repository for ITP references. As a result of this search, we made Form 12570 (Tax Protestor Information Notice) and Document 9678 (ITP Document Cover Sheet) obsolete.

On July 5, 2001, the Commissioner, Wage and Investment Division issued a memorandum for all executives and managers requesting another review of all operating procedures, forms, documents, publications, etc., for removal of any reference to ITP. Attached to the 2001 memorandum was a copy of RRA 98, Section 3707, and a copy of the September 30, 1998, memorandum (Subject: Preliminary Instructions for Compliance with RRA 98, Section 3707). The memorandum provided instructions for making obsolete or revising any additional products we identified.

#### Taxpayer Advocate Service (TAS)

TAS accepts TIGTA's findings that we took appropriate and timely corrective actions to remove ITP codes from active cases on the Taxpayer Advocate Management Information System (TAMIS) and to prevent the future use of ITP codes on TAMIS in the future. The Taxpayer Advocate also initiated a review to remove ITP codes from inactive cases.

TAS also agrees with TIGTA's comments that they found no ITP references in a random sample of 298 cases from a population of 52,000 open cases on the TAMIS.

In addition, the new IRM 13 database search resulted in only two hits, both of which show we removed all reference to ITP. All other new guidelines and documents on coding no longer have ITP references. TIGTA found no ITP references in TAS publications. We incorporated a review for improper use of ITP into the TAS Annual Assurance check sheet and referenced it in the Annual Assurance memorandum issued in July 2001.

Office of Servicewide Policy, Directives, and Electronic Research (SPDER)

TIGTA found varying amounts of ITP designations on the electronic versions of the IRM. This finding reflects the IRS' difficulties in keeping these emerging tools updated rather than the IRS' progress in removing ITP terminology from the IRM.

In February 2001, SPDER provided comments to TIGTA about the various electronic versions of the IRM. As explained, the official version of the IRM remains the paper or printed copy. The paper copy is printed from the core repository maintained by the Multimedia Publishing Branch. This core repository is the source of all IRM material. (See Attachment II for more information on this subject, including actions taken by IRS to address this problem.)

During May 2001, TIGTA contacted SPDER about corrective actions taken for the IRM since their last report. TIGTA said they would incorporate our recent actions into the draft report for the current year statutory review. We discussed the steps we have taken so far, which included a computer run identifying references in the IRM and working with Internal Management Document (IMD) coordinators and Multimedia. We also discussed electronic versions of the IRM and our steps to eliminate Corporate Automated Research Tools System (CARTS) Online. The only electronic versions available after June 1, 2001, are the Multimedia Publishing PDF files and the IRM Online through Lexis-Nexis. The Digital Daily source is the Multimedia files and the SERP database. We discussed our overall steps to revise and restructure the IRM. We also talked about our plans for Part 10 (Inspection), which will become obsolete in the coming months.

The IRM content owners, i.e., operating divisions and functions, are responsible for revising their IRM material to remove the ITP designation. In May 2001, SPDER agreed to follow up with the responsible functions on any remaining ITP references for correction. As a result, on June 22, 2001, the Director of SPDER issued a memorandum to all Division Commissioners and Functional Directors advising them to remove the references still existing in their parts of the IRM. That memorandum had three attachments listing the IRM citations where they found the term "illegal tax protestor (protester)" and variations. The SPDER provided this memorandum to IMD coordinators at their monthly meeting on July 18, 2001, and with TIGTA on July 30, 2001.

Responses received since then show we are making progress. We have advised the authors to eliminate the ITP phrase from their IRMs and have conducted reviews. We have identified many of the IRMs as obsolete, and eliminated many of the references to ITP. We will eliminate the remaining references to ITP during the normal IRM update schedule. We anticipate we will purge all references by January 2002. ITP references will remain in the IRM where we must instruct employees to no longer use this terminology.

The following table compares the number of IRM units that contained the term "illegal protestor or protester" and the term "protestor" in the official IRM files in the IRS core repository. The IRS is responsible for the IRM, while Chief Counsel is responsible for the Chief Counsel Directives Manual (CCDM). Of these IRM units, 4 are in Part 10, the former Inspection IRM, which we will make obsolete once any pertinent text is incorporated into appropriate portions of the IRM.

Official IRM Files from IRS Core Repository – ITP References

DATE FILES SEARCHED	IRM UNITS WITH ITP	IRM UNITS WITH PROTESTOR	CHIEF COUNSEL DIRECTIVES MANUAL
10/2000	20	36	19
6/2001	10	30	15

#### Small Business/Self-Employed - Compliance

Compliance accepts TIGTA's findings showing we took appropriate actions to remove ITP codes (Invalid Project Code 085) from the AIMS and the ERCS systems. We made this code inactive April 2001.

## **Electronic IRM Sources**

This paper provides background on electronic sources of the IRM. It also identifies actions the IRS has taken over the past 18 months to address problems associated with inconsistent "grass roots" versions of an electronic IRM.

In February 2001, SPDER provided comments to TIGTA about the various electronic versions of the IRM. As explained, the "official" version of the IRM remains the paper or printed copy. The paper copy is printed from the "core repository" maintained by the Multimedia Publishing Branch. This core repository is the source of all IRM material.

### **Background**

The IRS began testing the concept of an electronic IRM in November 1995 when the Operations IRM Project Team created the first electronic IRM using a product called "Textware" also known as Corporate Automated Research Tools System (CARTS). CARTS began as a grassroots effort to assist authors in rewriting the IRM; however, we offered it to employees as an emerging research tool, first through the IS bulletin board and later through a CD-ROM. It remained a grassroots effort, and we never used it as the official source of the IRM. Additionally, dependability as an accurate source diminished over time because of the nature of this product – its production and update required hands-on manipulation and ad hoc programming that we could not support regularly.

The IRS continued to test ways to deliver an electronic IRM and expand the availability of electronic IRM tools. Until recently, the automation capabilities and platforms throughout the country were very diverse, so we tried to provide options accessible by users of low-end DOS equipment, UNIX, Windows 3.1, Windows NT and Windows 95, and web technology. For this reason, we made the IRM available electronically through the Information Systems bulletin board, a DOS/Windows CD-ROM product, a Windows NT/95 CD ROM product, the Intranet, and the Internet. However, at all times, the "official" IRM remains the paper or printed copy.

### **Current State**

As the agency became more standardized in its automation capabilities, we recognized the need for a standardized electronic version of the IRM. As a result, effective August 2000 we expanded our 4-year national contract for commercial tax law research services with Lexis-Nexis (LN) to include an "IRM private data base." The first deliverable under this contract occurred in mid-December 2000.

The web-based IRM Online is available to all IRS employees throughout the country. The new database offers one-stop shopping, essentially an agencywide standard interface for accessing information in the IRM with links to cited references such as the

IRC, Regulations, and Court Cases. We update it regularly from the IRS core repository.

Continued feedback from users will allow us to make improvements to the Online IRM. We will continue to test the system until fully refined. A survey question appeared on IRWeb the week of August 6, 2001, asking "Have you used the Online IRM in the past two weeks." Of the 34,493 votes, 74% (25,525) responded "yes" to the question.

We widely advertised the availability of this Online IRM. We eliminated other versions of the electronic IRM as of June 1, 2001, (including CARTS). SPDER conducts ongoing monitoring of IRWeb links to ensure no other IRM sources are active.

The complete official IRM is available from the IRS core repository in the following formats:

1. Paper printed copies
2. Researchable, linked IRM (Lexis-Nexis Private Data Base)
3. PDF files (Multimedia Publishing intranet site)

SERP continues to publish Part 21 and selected portions of Part 3 of the IRM on its website. This site is intended for use by taxpayer assistors (formerly Customer Service) to answer questions from taxpayers. In addition to the IRM, SERP also contains many other materials for the assistors. The IRM portions on SERP are obtained from the Multimedia Publishing core repository. The files are converted to HTML for use on the SERP website.

Multimedia Publishing is responsible for posting the IRM on the IRS public website, the Digital Daily. You can also obtain those files from the IRS core repository. However, the Digital Daily may not be as current on the internal sources because of production and programming priorities within Multimedia Publishing.

Additional information is available from the office of Servicewide Policy, Directives, and Electronic Research (SPDER) N:ADC:R:SPDER.